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Supreme Court, U.S.
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No. _____

In The
SUPREME COURT OF THE UNITED STATES

KEVIN GAGNON, d/b/a MISTER COMPUTER,

Petitioner,
vs.

ASSET MARKETING SYSTEMS, INC.,

Respondent.

On Petition For A Writ Of Certiorari
To The United States Court Of Appeals
For the Ninth Circuit

PETITION FOR WRIT OF CERTIORARI

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QUESTION PRESENTED

1. Is the protection of California's Uniform Trade Secrets Act codified in California Civil Code §§3426 et seq. pre-empted by the operation of the federal copyright laws?

LIST OF PARTIES

All parties appear in the caption of the case on the cover page.

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PETITION FOR WRIT OF CERTIORARI

Petitioner Kevin Gagnon ("Mr. Gagnon") respectfully prays that a writ of certiorari issue to review the opinion and judgment of the Ninth Circuit Court of Appeals in this matter.

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Ninth Circuit is reported at 542 F.3d 748; 2008 U.S. App Lexis 19179 and has been reprinted at Appendix A. The opinion of the United States District Court for the Southern District of California has not been published. The District Court's memorandum and order from the bench has been reprinted at Appendix B.

JURISDICTION

The decision of the United States Court of Appeals for the Ninth Circuit, affirming the decision of the district court's order granting summary judgment was filed on September 9, 2008. The Ninth Circuit's order denying rehearing en banc was filed on October 16, 2008 and has been reprinted at Appendix C. This Court has jurisdiction to review the Ninth Circuit's decision on a writ of certiorari pursuant 28 U.S.C. § 1254(1).

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STATEMENT OF THE CASE

Asset Marketing Systems, Inc. ("AMS"), a California corporation is a sales technology company that provides field marketing services related to insurance and annuity products. In May 1999, AMS hired Kevin Gagnon ("Mr. Gagnon") a software architect and systems analyst who operates under the business name of "Mister Computer," as an outside vendor and independent contractor to manage its computer hardware and software needs.

Mr. Gagnon's involvement with AMS became so extensive that it required he hire twelve additional employees to help with the services he provided. As Mr. Gagnon hired each employee, he had them sign an employee work agreement containing a confidentiality clause and an agreement that the employee would not engage in any employment agreement with AMS after leaving Mr. Gagnon's employ for a period of 24 months without written consent from Mr. Gagnon. AMS

was aware of the employee's contractual obligations to Mr. Gagnon.

During the course of Mr. Gagnon relationship with AMS, Mr. Gagnon and his work force designed six software programs ("support programs") that automated AMS' operations. The support programs were provided to AMS' as part of Mr. Gagnon's continued service with AMS. All of the support programs displayed a splash screen stating they were copyrighted by Mister Computer with all rights reserved.

The support programs were installed on AMS' computers by Mr. Gagnon and his employees exclusively. AMS *never* had a copy of an installation disk, instruction manual, or any other media that would facilitate the installation process. Mr. Gagnon and his staff also maintained exclusive control of the source code to the support programs which was necessary for modification. Mr. Gagnon's employees maintained and stored the source code in a manner that prevented anyone from gaining access other than Mr. Gagnon and his employees.

In June 2003, AMS sought to establish a more formal employment relationship with Mr. Gagnon, but he rejected the offer. In response to and at the request of AMS, Mr. Gagnon proposed an Outside Vendor Agreement, which was a contract for his continued services.

In a letter, dated August 5, 2003, Mr. Gagnon told Jay Akerstein, Chief Operation Officer of AMS ("Mr. Akerstein") that his employees had contractual obligations which prevented them from being employed by AMS for a period of 24 months after their employment with Mr. Gagnon was

terminated. Mr. Gagnon also stated in the letter that his position has always been that AMS shall be entitled to unlimited software licensing as long as his company had a business relationship with AMS.

Mr. Akerstein met with Mr. Gagnon to discuss and negotiate the proposed Outside Vendor Agreement on August 20, 2003. Mr. Akerstein represented to Mr. Gagnon that AMS had not made any overture or offers to his employees stating "we respect your position." Mr. Akerstein memorialized his statement in writing. In a redlined copy of the agreement returned to Mr. Gagnon, Mr. Akerstein represented again that AMS would not solicit Mr. Gagnon's employees.

On September 23, 2003, AMS terminated its relationship with Mr. Gagnon. Despite its previous representations, AMS hired away seven of Mr. Gagnon's employees and these employees started working with AMS Immediately after Mr. Gagnon's termination.

Prior to Mr. Gagnon's termination, AMS did not possess the source code to the support programs or know of its location despite the complete forensic analysis of the AMS' computer system by the firm Bruno, Mack & Barclay.

On October 10, 2003, AMS filed a Complaint in the Superior Court of the State of California for the County of San Diego, against Mr. Gagnon alleging: (1) misappropriation of trade secrets; (2) unfair business practices; (3) breach of fiduciary duty; (4) negligence; and (5) conversion. On November 13, 2003, Mr. Gagnon subsequently removed the matter to federal court and filed Counterclaims against AMS for: (1) copyright

infringement, (2) unfair competition, (3) misappropriation of trade secrets, (4) intentional interference with contract, (5) intentional interference with prospective business advantage, (6) negligent interference with prospective business advantage, (7) declaratory relief, and (8) accounting. In an order, dated January 14, 2004, the District Court remanded all of AMS' claims except for a portion of AMS' conversion claim concerning the software code, which the District Court dismissed for lack of subject matter jurisdiction because it was preempted by the Copyright Act. To avoid having to simultaneously litigate matters in both federal and state court, AMS filed its remanded state law claims as counter-counterclaims in the District Court.

On September 29, 2005, AMS filed its Motion for Summary Judgment as to all of Mr. Gagnon's counterclaims. The matter was fully briefed and on September 31, 2005, Mr. Gagnon filed an *Ex Parte* Application for order denying or, in the alternative continuing summary judgment based on outstanding discovery issues and their delayed resolution due to the recusal and retirement of Magistrate Judge James F. Stiven.

On August 25, 2006, the District Court issued an order granting AMS' motion for summary judgment and denying Mr. Gagnon's *ex parte* application Mr. Gagnon filed a timely Notice of Appeal on February 5, 2007.

On September 9, 2008, The Ninth Circuit affirmed the order of the District Court Granting AMS' motion for summary judgment. The Ninth Circuit found that AMS had an implied license to

use the support programs which provided a defense to Mr. Gagnon's copyright infringement claim. With respect to Mr. Gagnon's misappropriation of trade secrets claim, the Ninth Circuit held "having concluded that [Mr.]Gagnon granted AMS an implied, unlimited license to the programs software, we conclude that AMS could not have misappropriated Gagnon's trade secret.... AMS was legally entitled to use and modify the source code; the license included access to any trade secret embodied therein." Furthermore, having concluded that the implied license was entitled AMS access to Mr. Gagnon's trade secrets, the Ninth Circuit also concluded the District Court did not err in holding that the non-competition agreements with Gagnon's employees were invalid.

It is the findings by the Ninth Circuit regarding Mr Gagnon's trade secrets and employment agreements that give rise to this Petition for review.

REASONS FOR GRANTING THE PETITION

I.
INTRODUCTION

This Court has never directly addressed the important federal question of whether or not state trade secrets law is preempted by operation of federal copyright law. The decision of the Ninth Circuit in this matter with respect to trade secrets ignores California's trade secret law, is inconsistent with the holdings of the California Supreme Court, and in effect preempts California's trade secret law. Review by this Court is necessary to secure

uniformity of decision and to address the important federal question of whether or not state trade secret law is preempted by operation of federal copyright law.

Furthermore, allowing the Ninth Circuit's decision to stand without review would only serve to promote trade secret policy that is in direct conflict with the trade secret policies articulated by this Court in *Kewanee v. Bircron* (U.S. 1974) 416 U.S. 470.

II.
DISCUSSION

A. The Decision of The Ninth Circuit is Inconsistent with And in Effect Preempts California Trade Secret Law

States may regulate trade secrets to the extent that such regulation does not conflict with federal patent or copyright law. (*Kewanee Oil Co. v. Bicron Corp., supra* at 479; *see also* 17 U.S.C. §301) As articulated by the California Supreme Court, the California Legislature has adopted without significant change the Uniform Trade Secrets Act (UTSA) and codified it in Cal. Civil Code §§3426 et seq. (*Cadence Design Systems, Inc. v. Avant! Corp.* (2002) 29 Cal.4th 215, 221.) Under California law, information can still be a trade secret and subject to protection under Cal. Civ. Code, §3426.1(d)(1), even though it is readily ascertainable or accessible. (*See ABBA Rubber Co. v. Seaquist* (1991) 235 Cal.App.3d 1, 21.) In California, the assertion that a matter is readily ascertainable or accessible by proper means is a defense to a claim of misappropriation and that defense will only be

successful upon the absence of misappropriation. (*Id.* at 21; citing Legis. committee com., West's Ann. Civ. Code, §3426.1 (1991 pocket supp.) p. 111.)

The evidence presented by Mr. Gagnon established the source code to the support programs contained protected trade secrets such as the design architecture of the programs; interpretation and/or meaning of the source code; and the inner play between the source code, programs and the database in order to effectuate modification. AMS did not contest the existence of Mr. Gagnon's trade secrets and the Ninth Circuit delivered its opinion based on the assumption that Mr. Gagnon's trade secrets did in fact exist. (Appendix A at 22-a.)

Mr. Gagnon correctly asserted that source code may contain protected trade secrets even when the software is licensed for use to another party. (*Id.)* Consequently, Mr. Gagnon's uncontested trade secrets are subject to the protections of California's trade secret law codified in Cal. Civil Code §§3426 et seq. Mr. Gagnon does not dispute AMS may have accessed the source code and some of the trade secrets contained in the support programs lawfully and in a proper manner by decompiling or reverse engineering the support programs if it had an implied license to use them. However, an implied license only provides a defense to Mr. Gagnon's misappropriation of trade secrets claim if AMS can in fact establish it obtained the trade secret information in this manner. An implied license does not provide a defense to conduct that is unlawful under California's trade secret law. (*See ABBA Rubber Co.* v. *Seaquist, supra*, 235 Cal.App.3d at 21.)

Mr. Gagnon asserted that the record before the Court clearly established AMS unlawfully acquired his trade secrets by inducing his employees to disclose them with employment opportunities at AMS. AMS did so with full knowledge of their existing duty to Mr. Gagnon to maintain secrecy. AMS has not denied this assertion or offered any alternative explanation whatsoever to explain how it came into actual possession of the source code and/or the trade secrets to refute Mr. Gagnon's assertion. AMS' actions constitute misappropriation and were in direct violation of Cal. Civ. Code, §§ 3426 et seq.1

In its opinion, the Ninth Circuit failed to address AMS' unlawful conduct. The Ninth Circuit failed to apply California's trade secret law and explain how an implied license authorized AMS to obtain Mr. Gagnon's trade secrets unlawfully and in violation of California law. Instead, the Panel concluded that Mr. Gagnon granted AMS an implied, unlimited license to use the support

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1 Under Cal. Civil Code §§3426 et seq., trade secret is misappropriated if a person (1) acquires a trade secret knowing or having reason to know that the trade secret has been acquired by "improper means," (2) discloses or uses a trade secret the person has acquired by "improper means" or in violation of a nondisclosure obligation, (3) discloses or uses a trade secret the person knew or should have known was derived from another who had acquired it by improper means or who had a nondisclosure obligation or (4) discloses or uses a trade secret after learning that it is a trade secret but before a material change of position.(Cal. Civ. Code, § 3426.1, subd. (b).)

Acquisition of a trade secret by " '[i]mproper means' includes theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means." (§3426.1, subd. (a).) Reverse engineering or independent derivation alone however, is not considered improper means. (*Id.*)

programs he created, and as a result, AMS could not have misappropriated Mr. Gagnon's trade secrets. The Ninth Circuit reasoned that AMS was entitled to use and modify the source code for the programs and the license included access to any trade secret embodied therein. (Appendix A at 22-a.) The Ninth Circuit's decision is inconsistent with and in effect preempts California's trade secret law.

The California Supreme Court in *Reeves v. Hanlon* (2004) 33 Cal.4th 1140 held that employment contracts containing engagement clauses specifically designed to protect an employer's financial interests and trade secrets were legal despite California Business and Professions Code sec. 16600 proscriptions against such clauses. *(Id.* at 1154; *see also Application Group, Inc. v. Hunter Group, Inc.* (1998) 61 Cal. App.4th 881, 900; *Metro Traffic Control, Inc. v. Shadow Traffic Network* (1994) 22 Cal.App.4th 853, 859.)

Based on the foregoing discussion it is indisputable that the support programs contain Mr. Gagnon's trade secrets. As a result, Mr. Gagnon had a right and a need to protect his trade secret information in order to protect his financial interests. Therefore, the employment contracts with his employees containing the engagement clause, designed specifically to protect his trade secrets were valid despite California Business and Professions Code sec. 16600 proscriptions against such clauses. The Ninth Circuit's finding that these employment contracts were not valid is again inconsistent with and in effect preempts California's trade secret law.

B. Review by This Court is Necessary to Answer The Important Federal Question of Whether of Not State Trade Secret Law is preempted by Operation of Federal Copyright Law And to Secure Uniformity of Decision

As articulated by this Court in *Kewanee v. Bircron, supra*, "The maintenance of standards of commercial ethics and the encouragement of invention are the broadly stated policies behind trade secret law. The necessity of good faith and honest, fair dealing, is the very life and spirit of the commercial world." (*Id.* at 481-482; citations omitted.) The Ninth Circuit's decision is not only inconsistent with California Supreme Court decisions, it fails to foster the policies behind trade secret law as articulated by this Court. Allowing state trade secret law to in affect be preempted by operation of federal copyright law would do anything but promote good faith and honest, fair dealing. Acquisition of valuable trade secrets would be accomplished in the easiest and quickest manner, regardless of whether or not the manner used was lawful. Such a policy would do anything but maintain the standards of commercial ethics and need for good faith, and honest, fair dealing.

This Court should grant Mr. Gagnon's Petition for Certiorari in order to answer the important federal question of whether or not state trade secret law is preempted by operation of federal copyright law in order to secure uniformity of decision as well as to promote the proper policies

behind trade secret law as articulated by this Court in *Kewanee v. Bircron, supra.*

III.
CONCLUSION

Based on the foregoing, Petitioner Kevin Gagnon respectfully requests his Petition for Writ of Certiorari be granted.

Respectfully submitted,

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APPENDIX A

FOR PUBLICATION

UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

ASSET MARKETING SYSTEMS, INC. *Plaintiff-counter-defendant-Appellee,* v. KEVIN GAGNON, d/b/a MISTER COMPUTER, *Defendant-counter-claimant-Appellant.*	No. 07-55217 D.C. No. CV-03-02234-B **OPINION**

Appeal from the United States District Court
for the Southern District of California
Rudi M. Brewster, District Judge, Presiding

Argued and Submitted
July 18, 2008—Pasadena, California
Filed September 9, 2008

Before: Barry G. Silverman, Johnnie B. Rawlinson, and Milan D. Smith, Jr., Circuit Judges.
Opinion by Judge Milan D. Smith, Jr.

COUNSEL

Todd A. Moore, San Diego, California, for the defendantcounter- claimant-appellant.

John Morris and Phillip C. Samouris, Higgs, Fletcher & Mack LLP, San Diego, California, for the plaintiff-counterdefendant- appellee.

OPINION

MILAN D. SMITH, JR., Circuit Judge:

Kevin Gagnon, doing business as Mister Computer (Gagnon), appeals from a grant of summary judgment in favor of Asset Marketing Systems, Inc. (AMS). Gagnon contends that AMS infringed his copyright in six computer programs that he wrote for AMS by continuing to use and modify them without his consent, and that AMS misappropriated trade secrets contained in the programs' source code. Gagnon also challenges the denial of his ex parte application for an order denying or continuing summary judgment. The district court concluded that Gagnon had granted AMS an unlimited, nonexclusive, implied license to use, modify, and retain the source code of the programs that defeated his copyright infringement and trade secret misappropriation claims. The district court also denied Gagnon's ex parte application. We have jurisdiction under 28 U.S.C. § 1291, and we affirm the district court.

FACTUAL AND PROCEDURAL BACKGROUND

A. AMS and Gagnon's Relationship

AMS is a field marketing organization offering sales and marketing support to insurance marketing entities. From May 1999 to September 2003, Gagnon was an at-will, independent contractor for AMS, hired to assist with its information technology needs. Subsequently, Gagnon was asked to develop custom software for AMS. AMS was Gagnon's largest client, accounting for 98% of his business. Jay Akerstein, a partner at AMS who later became the Chief Operating Officer, was Gagnon's primary contact. Over the course of their four-year relationship, AMS paid Gagnon over $2 million, $250,000 of which was for custom software development and computer classes. Gagnon developed six computer programs for AMS.

In May 2000, AMS and Gagnon entered a Technical Services Agreement (TSA), which was scheduled to expire on April 30, 2001. The TSA, printed on Mister Computer letterhead, set forth Gagnon's fees and the services to be provided. The services included "Custom Application Programming— Consultant will provide Contractor with specific add-on products to enhance Contractor's current in-house database application," and mentioned nothing about a license. The TSA was not renewed, though the relationship continued.

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AMS claims that on June 12, 2002, Gagnon signed a Vendor Nondisclosure Agreement (NDA).[1] The NDA would have given AMS ownership of all intellectual property developed for AMS by Gagnon. Gagnon claims that the document is a forgery and that his signature cannot be authenticated.

In June 2003, Gagnon proposed that AMS execute an Outside Vendor Agreement (OVA). The OVA included a Proprietary Rights clause providing:

> Client agrees that all designs, plans, specifications, drawings, inventions, processes, and other information or items produced by Contractor while performing services under this agreement will be the property of Contractor and will be licensed to Client on a non-exclusive basis as will any copyrights, patents, or trademarks obtained by Contractor while performing services under this agreement. On request and at Contractor's expense, Client agrees to help Contractor obtain patents and copyrights for any new developments. This includes providing data, plans, specifications, descriptions, documentation, and other information, as well as assisting Contractor in completing any required application or registration. Any source code or intellectual property will remain the property of Contractor. Trademarks, service marks, or any items identifying said Company shall remain the Company's said property.

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1. The NDA was located and produced six months into the litigation.

> Contractor will allow Company non exclusive, unlimited licensing of software developed for Company.

Akerstein declined to execute the OVA, but countered with a redlined version of the OVA, which substantially rewrote the Proprietary Rights clause to read:

> Contractor agrees that all designs, plans, specifications, drawings, inventions, processes, and other information or items produced by Contractor while performing services under this agreement will be the sole property of Client. Any source code or intellectual property agreed to and documented as Contractor's will remain the property of Contractor.

By the end of June 2003, AMS had decided to terminate Gagnon's services. AMS extended an employment offer to Gagnon, but he declined to accept the offer. AMS and Gagnon then discussed an exit strategy, and by late July, the parties had set a target exit date of September 15, 2003.

In August 2003, Gagnon responded to Akerstein's redlined OVA draft with a letter asserting that his "position has always been that Asset Marketing Systems shall be entitled to unlimited software licensing as long as my company had a business relationship with Asset Marketing Systems." The parties never executed the OVA.

In a letter to AMS dated September 18, 2003, Gagnon demanded $1.75 million for AMS to have the right to continue to use the programs and $2 million

for Gagnon's agreement not to sell or disclose the programs to AMS's competitors.

In a letter dated September 23, 2003, AMS terminated its relationship with Gagnon. According to AMS, a consultant identified numerous problems with Gagnon's work. It also stated:

> Recently, we had discussed employee and intellectual property issues which have yet to be resolved. Despite the foregoing, I learned that we did not have copies of the source code for the software we developed and that copies of our SalesLogix software and our entire database may be maintained by you and your agents offsite.

The letter then demanded:

> In connection with that separation, you must immediately provide any and all copies of the source code for all software developed by and on behalf of Asset Marketing Systems immediately. You are not authorized to utilize that software which we believe is owned and all copyrights belong to Asset Marketing Systems. Furthermore, despite your claimed ownership in that copyright, we believe that Asset Marketing Systems' trade secrets are embedded and utilized throughout that software which would preclude use by you as well.
>
> We also demand that you return to us any copies of the SalesLogix software or Asset Marketing databases, programs or other

materials that may have come into your possession during our relationship.

Also on September 23, seven of Gagnon's twelve employees resigned and were hired by AMS to provide directly to AMS the same services they previously provided to AMS through Gagnon. According to AMS, Gagnon's former employees approached AMS for jobs, and AMS never solicited them. Gagnon disputes this. Each employee had signed an "Employee's Work Agreement" with Gagnon. The agreement specified that the intellectual property arising out of or related to work performed for Gagnon was his property. The employment agreement also stated that "all information relating to [AMS] disclosed to Employee by Employer, and all information generated by Employee in the performance of the above Work is a valuable trade secret of Employer" to be treated as confidential and safeguarded. Finally, the employees agreed not to "engage in any employment or personal contractual agreement" with AMS for twenty-four months without written consent from Gagnon.

In October 2003, Gagnon sent AMS a cease and desist letter, asserting that the use of the programs was unauthorized. It also asserted that the hiring of Gagnon's prior employees violated their Employment Agreement with him. Gagnon demanded that AMS certify that it had undertaken to remove "all original and derivative source code" and all related files for the programs from AMS computers. AMS responded by asserting that Gagnon could not unilaterally stop AMS from continuing to use and update the programs because it had an irrevocable license to use, copy, and modify the programs based on the course of conduct of

the parties over the past two-and-a-half years. AMS also asserted that Gagnon could not use the programs because it contained AMS's trade secrets. AMS also declined to pay Gagnon the $1.75 to $2 million he had requested in September.

B. The Programs

Specifically at issue are the six programs that Gagnon createdfor AMS. He included a copyright notice, "copyright Mister Computer," in the splash screens for each program.

According to a declaration by one of Gagnon's former employees, the programs were designed to work with AMS's databases and included "detailed information concerning AMS' network of sales persons, including information related to AMS' agent lists, their territories, and the criteria used by AMS to qualify an agent or create a territory." The source code for these programs was installed on several of AMS's development computers, which were located at AMS's facilities.[2] The employee was not instructed by Gagnon to maintain the source code at any location other than AMS, and Gagnon made no attempt to hide the source code from AMS employees.

In his deposition, Gagnon admitted that after he hired employees, the source code was stored on AMS computers in the development room. The room could not be accessed without a pass that Gagnon's software developers and a few key AMS personnel, including Akerstein, possessed. Gagnon never

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2. Gagnon disputes that the source code was ever stored on the AMS server.

received any promises of confidentiality with respect to his trade secrets from the AMS personnel who had passes to the development room nor did he discuss terms of a potential license or royalty agreement with them.

A week prior to his termination, Gagnon registered the copyright for these six programs with the United States Copyright Office.

C. Procedural History

This case has a convoluted procedural history. The case began when AMS filed a complaint in California Superior Court against Kevin Gagnon, d/b/a Mister Computer, two of his employees[3] and Gagnon's new company, National Marketing Technologies alleging, among other things, misappropriation of trade secrets and conversion. Gagnon removed the case to federal court. Gagnon then filed counterclaims, alleging copyright infringement, unfair competition under California law, misappropriation of trade secrets, interference with contractual relations, intentional interference with prospective business advantage, negligent interference with prospective business advantage, and sought accounting and declaratory relief declaring Gagnon the copyright owner of the programs. The district court (then Judge Jones) remanded AMS's claims back to the state court. AMS then filed its remanded state law claims as counter-counterclaims to Gagnon's federal counterclaims.

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3. The two employees were dismissed from the suit with prejudice.

The district court subsequently granted AMS's motion for summary judgment as to Gagnon's counterclaims. The court found that Gagnon had granted AMS an implied, nonexclusive license to use, modify, and retain the source code of the programs. Consequently, Gagnon's trade secret misappropriation claim was also defeated, and because no trade secret existed as between Gagnon and AMS with respect to the source code, Gagnon's noncompetition agreements were deemed invalid under California law. For the same reasons, Gagnon's remaining state law claims failed.

The court also denied Gagnon's ex parte applications for an order denying or continuing summary judgment and to file written objections to evidence. Gagnon's ex parte application requested a continuance to obtain the backup tapes of AMS's computers because they might contain emails establishing AMS's allegedly unlawful solicitation of Gagnon's employees, and would establish the location of the source code at all relevant times.

The magistrate judge recommended that the motion be denied because it was untimely, and the district court judge adopted that recommendation. The district court first reasoned that because the non-competition clause in Gagnon's employment agreements was unenforceable under California law, any emails evidencing solicitation were irrelevant. Second, because Gagnon had already admitted that the source code was located on AMS's computers, computer backup tapes conclusively locating the source code on AMS computers were unnecessary. Third, the motion was untimely because Gagnon did not request the continuance until after the motion for

summary judgment was fully briefed by both parties. Gagnon was able to file his opposition to summary judgment without raising any discovery objections, and several days later, counsel for both parties requested a stay of pending discovery issues until summary judgment. Gagnon filed his ex parte motion a week after the district court ordered the case submitted, causing "undue delay in the resolution of both the summary judgment motion and the discovery motion."

Gagnon next filed a motion for reconsideration, which was denied. The case was then reassigned from Judge Jones to Judge Brewster. At that point, the parties stipulated to a dismissal of all counter-counterclaims, and AMS moved for attorneys fees and costs. Gagnon appealed the grant of summary judgment. The district court then indicated that it wished to reconsider its order granting summary judgment and stayed the proceedings regarding the attorney fees. Gagnon successfully moved this court for a limited remand so that Judge Brewster could reconsider Judge Jones's grant of summary judgment. After remand, the district court denied the motion for reconsideration, deferred resolution of attorneys fees until the resolution of the appeal, and returned the case to this court.

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STANDARD OF REVIEW

We review the district court's grant of summary judgment de novo. *Giles v. Gen. Motors Acceptance Corp.*, 494 F.3d 865, 872 (9th Cir. 2007). We view the facts in the light most favorable to the non-moving party and determine whether there exists a genuine issue of material fact and whether the district court correctly applied the law. *Id.*

We review the district court's decision to deny an application to continue a ruling on a summary judgment motion to permit discovery for abuse of discretion. *Volk v. D.A. Davidson & Co.*, 816 F.2d 1406, 1417 (9th Cir. 1987). "A district court has wide latitude in controlling discovery." *Id.* at 1416 (internal quotation marks omitted). "The district court should permit discovery if it appears from the affidavits filed that the party opposing the summary judgment motion could not, for reasons stated, present facts essential to justify his opposition." *Id.* (citing Fed. R. Civ. P. 56(f)).

DISCUSSION

A. Copyright Infringement Claim

Gagnon alleges that AMS's continued use of the six programs constitutes copyright infringement because the programs were used by AMS without its obtaining a license or Gagnon's permission. AMS asserts three defenses to Gagnon's copyright infringement claim: an implied license, a transfer of copyright ownership via the NDA, and 17 U.S.C. § 117. We hold that AMS has an implied unlimited

license for the programs, and we do not reach the other defenses asserted by AMS.

[1] Though exclusive licenses must be in writing, 17 U.S.C. § 204, grants of nonexclusive licenses need not be in writing, and may be granted orally or by implication. *Foad Consulting Group, Inc. v. Azzalino*, 270 F.3d 821, 825-26 (9th Cir. 2001). We have previously considered the grant of an implied license in the context of movie footage and architectural drawings. *Id.*; *Effects Assocs., Inc. v. Cohen*, 908 F.2d 555, 558 (9th Cir.1990).

In *Effects Associates*, a movie producer hired Effects Associates to create certain special effects for a movie. *Effects*, 908 F.2d at 555-556. Though the film footage containing the special effects was used without the producer's obtaining a written license from Effects Associates, we found that an implied license had been granted because the footage was created at the producer's request with the intent that it be used in the film with no warning that use of the footage would constitute infringement. *Id.* at 558-59 & n.6. We determined that "[t]o hold that Effects did not at the same time convey a license touse the footage . . . would mean that plaintiff's contributionto the film was 'of minimal value,' a conclusion that can't be squared with the fact that Cohen paid Effects almost $56,000 for this footage." *Id.* at 559.

[2] Thus, we have held that an implied license is granted when "(1) a person (the licensee) requests the creation of a work, (2) the creator (the licensor) makes that particular work and delivers it to the

licensee who requested it,[4] and (3) the licensor intends that the licensee-requestor copy and distribute his work." *I.A.E., Inc. v. Shaver*, 74 F.3d 768, 776 (7th Cir. 1996) (citing *Effects*, 908 F.2d at 558-59) (footnote added). We apply the same analysis we did in *Effects* to implied licenses for computer programs. The last prong of the *Effects* test, however, is not limited to copying and distribution; instead we look at the protected right at issue—here, whether Gagnon intended that AMS use, retain, and modify the programs.

1. AMS Requested the Creation of the Programs

[3] Gagnon argues that AMS never specifically requested that he create the programs, but "rather relayed its needs to Mr. Gagnon and he satisfied them by providing either computer hardware or computer software at his discretion." We find this interpretation of "request" to be strained. Gagnon did not create the programs on his own initiative and market them to AMS; rather, he created them in response to AMS's requests. Moreover, after prototype software was developed, he made changes to the programs in response to Akerstein and other AMS employees' requests. No genuine issue of material fact remains as to whether AMS requested the programs.

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4. Though delivery of a copy of software does not compel the conclusion that Gagnon granted AMS a license, it is a relevant factor that we may consider. *See* 17 U.S.C. § 202; *Effects*, 908 F.2d at 558 n.6 (recognizing that delivery is not dispositive, but "one factor that may be relied upon in determining that an implied license has been granted").

2. Gagnon Created the Software for AMS and Delivered It

Though Gagnon argues that the programs could be converted for use by another company, Gagnon admitted that the programs were created specifically for AMS and that AMS paid for the work related to drafting of the programs as well as some related costs. It is, therefore, undisputed that Gagnon created these programs for AMS.

[4] The remaining question is whether Gagnon delivered the programs to AMS. We agree with the district court that Gagnon delivered them when he installed them onto the AMS computers and stored the source code on-site at AMS. Gagnon argues that even if he had installed the programs onto the AMS computers, he never delivered the source code so that AMS could modify the code.[5] If AMS did not have the right to modify the code, it may have infringed Gagnon's copyright by exceeding the scope of its

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5. When programmers write code, they write in "source code," which is written in a programming language that humans can understand. *Apple Computer, Inc. v. Franklin Computer Corp.*, 714 F.2d 1240, 1243 (3d Cir. 1983) (describing source code and object code). *See also* Michael J. Madison, *Reconstructing the Software License*, 35 Loy. U. Chi. L.J. 275, 280-81 (2003) (same). This source code is then compiled into object code which is essentially a translation of source code into something the computer can understand and execute. *Id.* at 280. Generally, when software is distributed, only the compiled object code is distributed and the programmer retains the source code. *Id.* at 280-81. Regardless of whether the computer program is in object code or source code form, it is copyrightable and protectable. *Sega Enters. Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1519-20 (9th Cir. 1993)

license. *See S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081, 1087 (9th Cir. 1989). Gagnon primarily points to AMS's inability to locate the code on its own computer systems after his services were terminated to show that AMS did not possess the code. But, as we explain below, Gagnon's conduct manifested an objective intent to give AMS an unlimited license at the time of creation; thus, when he stored the source code at AMS, the code was delivered.

3. Gagnon's Intent as Manifested by His Conduct

[5] Gagnon argues that he never intended that AMS would retain and modify the programs he delivered. Gagnon misunderstands the inquiry into intent, and we conclude that his conduct did manifest an intent to grant a license. The relevant intent is the licensor's objective intent at the time of the creation and delivery of the software as manifested by the parties' conduct. *See Effects*, 908 F.2d at 559 n.6 (noting that "every objective fact concerning the transaction" supported the finding that an implied license existed); *see also John G. Danielson, Inc. v. Winchester-Conant Props., Inc.*, 322 F.3d 26, 42 (1st Cir. 2003); *I.A.E.*, 74 F.3d at 777. The First and Fourth Circuits consider the following factors to determine such an intent:

> (1) whether the parties were engaged in a short-term discrete transaction as opposed to an ongoing relationship; (2) whether the creator utilized written contracts . . . providing that copyrighted materials could only be used with the creator's future involvement or

> express permission; and (3) whether the creator's conduct during the creation or delivery of the copyrighted material indicated that use of the material without the creator's involvement or consent was permissible.

Danielson, 322 F.3d at 41 (quoting *Nelson-Salabes, Inc. v. Morningside Dev., LLC*, 284 F.3d 505, 516 (4th Cir. 2002)). We find this approach to be persuasive.

Gagnon and AMS had an ongoing service relationship in which Gagnon provided technical support for all computer related problems at AMS; he also created certain custom software applications at AMS's request. The relationship of the parties indicates neither an intent to grant nor deny a license without Gagnon's future involvement.

[6] Several documents exist, however, that reflect the parties' objective intent: the TSA, signed by both parties, the OVA submitted by Gagnon, and Gagnon's letter objecting to Akerstein's proposed changes to the OVA[6]. Courts have looked to contracts, even if unexecuted, as evidence of the intent of the party submitting the contract. *See Johnson v.* Jones, 149 F.3d 494, 501 (6th Cir. 1998) (finding no license where architect submitted contracts containing express provision that drawings could not be used by others except with agreement and compensation); *Nelson-Salabes*, 284 F.3d at 516 (same); *cf. I.A.E.*, 74 F.3d at 776-77 (architect submitted no language

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6. We do not consider the NDA, allegedly signed by Gagnon, because Gagnon contests its validity and argues that his signature was forged, creating a factual dispute inappropriate for resolution on summary judgment.

indicating an intent to retain control); *see also Foad Consulting*, 270 F.3d at 835-36 (Kozinski, J., concurring) (comparing *Johnson* and *I.A.E.*).

[7] The TSA, signed by both parties in 2000 and printed on Mister Computer letterhead, stated only that Gagnon "will provide" AMS "specific add-on products." Nothing in the TSA indicates Gagnon's understanding or intent that continued use of the custom application programming undertaken by Gagnon would be prohibited after the TSA terminated. The TSA also provided that AMS would be billed for Gagnon's services at an hourly rate. Like the special effects creators in *Effects Associates*, Gagnon was well paid for his services. Under the circumstances, it defies logic that AMS would have paid Gagnon for his programming services if AMS could not have used the programs without further payment pursuant to a separate licensing arrangement that was never mentioned in the TSA, and never otherwise requested at the time. This is especially so because custom software is far less valuable without the ability to modify it and because the TSA was set to expire in one year; one would expect some indication of the need for future licensing if the custom programs were to become unusable after the TSA expired.

[8] The OVA submitted by Gagnon, but never executed, did not evidence any intent by Gagnon to limit AMS's use of the programs. Gagnon argues that the clause, "Client agrees that [intellectual property] produced by Contractor while performing services under this agreement will be the property of Contractor and will be licensed to Client on a non-exclusive basis as will any copyrights, patents, or

trademarks obtained by Contractor while performing services under this agreement . . . ," means that his license was conditioned on a continuing relationship with AMS. We disagree. The clause "while performing services under this agreement" modifies the production of the intellectual property and the obtainment of copyrights. Furthermore, the contract then expressly stated, "Contractor will allow Company non-exclusive, unlimited licensing of software developed for Company," eliminating any ambiguity.

[9] Moreover, Gagnon and AMS did not discuss a licensing agreement until their relationship was ending. Gagnon delivered the software without any caveats or limitations on AMS's use of the programs. Even if Gagnon and his employees maintained the software and had primary control over the code, they programmed on-site at AMS on AMS computers to which key AMS personnel had access—conduct that does not demonstrate an intent to retain sole control. The first time Gagnon expressed a contrary intent was in his letter to Akerstein, sent *after* AMS had decided to terminate Gagnon's services.

Finally, the splash screens containing the copyright notice do not negate AMS's license to use the product. The splash screens speak to Gagnon's intent to retain copyright ownership over the programs, not to his intent to grant or not grant a license as would be his right as the copyright owner.

[10] Gagnon had to express an intent to retain control over the programs and limit AMS's license if he intended to do so. A belated statement that the programs could not be used after Gagnon's departure,

made after the termination decision and well after the creation and delivery of the programs for which substantial sums were paid, was not sufficient to negate all other objective manifestations of intent to grant AMS an unlimited license.

4. Scope and Irrevocability of Implied License

[11] For the reasons outlined, we hold that Gagnon grantedAMS an unlimited, nonexclusive license to retain, use, andmodify the software. Furthermore, because AMS paid consideration, this license is irrevocable. *See Lulirama Ltd., Inc. v.Axcess Broad. Servs., Inc.*, 128 F.3d 872, 882 (5th Cir. 1997); 3-10 Melville B. Nimmer & David Nimmer, Nimmer on Copyright § 10.02[B][5] (2008). "[A] nonexclusive license supported by consideration is a contract." *Lulirama*, 128 F.3d at 882; *see also Effects*, 908 F.2d at 559 n.7 (an implied license is a "creature of law, much like any other implied-in fact contract"). If an implied license accompanied by consideration were revocable at will, the contract would be illusory. *Lulirama*, 128 F.3d at 882-83.

[12] We affirm the district court's grant of summary judgment on the copyright infringement claim.

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/ / / / /

B. Trade Secret Misappropriation Claim

[13] Gagnon contends that even if AMS obtained an implied license, it still misappropriated his trade secrets that were contained in the programs' source code by hiring away his employees in violation of their employment agreements. Gagnon correctly asserts that source code may contain protected trade secrets even when the software is licensed for use to another party. *See, e.g., S.O.S*, 886 F.2d at 1090. Even assuming a trade secret exists, however, Gagnon's argument fails.

Gagnon relies on *S.O.S., Inc. v. Payday, Inc.*, which explained that a licensee of a computer program may misappropriate a trade secret if the trade secret was unlawfully acquired. *Id.* His reliance on this case is misplaced. In *S.O.S.*, the licensor, S.O.S., granted to Payday, its licensee, a limited license for use only and "neither party expected Payday to be able to gain access to the source code itself." *Id.* at 1088. Thus, the existence of this limited license failed to settle S.O.S.'s trade secret misappropriation claim because an issue of fact remained as to whether Payday was entitled to possess an unprotected copy of the code that gave it access to the source code. *Id.* at 1090.

[14] Here, however, having concluded that Gagnon granted AMS an implied, unlimited license to the programs software, we conclude that AMS could not have misappropriated Gagnon's trade secret. Unlike Payday in *S.O.S.*, AMS was legally entitled to use and modify the source code; the license included access to any trade secret embodied therein.

Furthermore, having concluded that AMS was

entitled access to this trade secret, we also conclude that the district court did not err in holding that the non-competition agreements with Gagnon's employees were invalid. Under California law, non-competition agreements are unenforceable unless necessary to protect an employer's trade secret. *See* Cal. Bus. & Prof. Code § 16600 (voiding any contract that restrains anyone from engaging in a lawful profession, trade, or business); *Edwards v. Arthur Andersen LLP*, 189 P.3d 285, 288 (Cal. 2008) (Cal. Bus. & Prof. Code § 16600 invalidates noncompete contracts unless they are necessary to protect an employer's trade secrets); *Application Group, Inc. v. Hunter Group, Inc.*, 72 Cal. Rptr. 2d 73, 85 (Ct. App. 1998) (same). Because the non-competition agreements were no longer necessary to protect Gagnon's trade secrets against AMS, they were no longer enforceable in this case.

[15] We affirm the district court's grant of summary judgment on the trade secret misappropriation claim.

C. Ex Parte Application

Finally, the district court did not abuse its discretion in denying Gagnon's motion for an order denying or continuing summary judgment and to file written objection to evidence. As the district court properly reasoned, the additional evidence was not necessary for Gagnon to oppose the summary judgment motion. In fact, Gagnon was apparently able to craft an opposition to summary judgment without this discovery two weeks prior to his motion, and failed to raise an objection at that time.

CONCLUSION

For the foregoing reasons, the district court's grant of summary judgment is AFFIRMED.

APPENDIX B

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Clerk of U.S. District Court
Southern District of California
/s/ POC Deputy

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

ASSET MARKETING SYSTEMS, INC., Plaintiff, -v- KEVIN GAGNON ET AL. Defendants.	Civil No.: 03-CV-02234-B(CAB)
KEVIN GAGNON, dba MISTER COMPUTER, Counter-Claimant, -v- ASSET MARKETING SYSTEMS, INC., Counter-Defendant.	ORDER: (1) GRANTING COUNTER-DEFENDANT ASSET MARKETING SYSTEMS' MOTION FOR SUMMARY JUDGMENT, [Doc.No.77] (2) ADOPTING R&R DENYING COUNTER-CLAIMANT KEVIN GAGNON'S EX PARTE APPLICATION FOR ORDER DENYING OR, IN THE ALTERNATIVE, CONTINUING SUMMARY JUDGMENT [Doc.Nos.: 128, 100]; (3) DENYING COUNTER-CLAIMANT GAGNON'S EXPARTE APPLICATION AND PROPOSED ORDR TO FILE WRITTEN OBJECTIONS TO EVIDENCE [Doc. No. 137];

4) GRANTING IN PART AND DENYING IN PART COUNTER-DEFENDANT AMS' OBJECTION TO EVIDENCE, [Doc. No. 124]; and

(5) MODIFYING DATES FOR PRE-TRIAL PROCEDURES

140 AR 03cv2234-J (CAB)

Before the Court is Counter-Defendant Asset Marketing Systems, Inc.'s ("AMS") Motion for Summary Judgment ("Motion") as to all claims in Counter-Claimant Kevin Gagnon's Complaint. [Doc. No. 77.] In support of its Motion, AMS also submitted a separate statement of Undisputed Material Fact ("UMF"); and Mr. Gagnon has filed an Opposition to the UMF. [Doc. Nos. 79; 93.] Mr. Gagnon also has filed an Opposition to the Motion for Summary Judgment ("Opposition"); and AMS has filed a Reply to the Opposition ("Reply"). [Doc. Nos. 89, 98.] Pursuant to Civil Local Rule 7.1.d.1, the Court hides the matter on the pleadings submitted and without oral argument. *See* S.D. Cal. Civ. R. 7.1.d.1 (2005). For the reasons set forth below, the Court GRANTS AMS' Motion for Summary Judgment as to all of Mr. Gagnon's claims.

Background Facts

The following facts are either stipulated, supported by affidavit or deposition testimony, uncontroverted or viewed in the light most favorable to Mr. Gagnon, the nonmoving party. The Court excludes factual assertions that are immaterial or that are conclusions of law rather than statements of fact.

AMS, a California corporation with its principal place of business in San Diego, California, is a sales technology company that provides field marketing services related to Insurance and annuity products. (*See* Gagnon's Counterclaim at 2; *See also* AMS' UMF at ¶ 1.) Since its inception in January of 1996, AMS alleges that it has developed a unique and proprietary system whereby it identifies, selects, trains, and

assigns territories to sales persons, who then sell insurance products to defined markets using the assistance and methods of AMS. (*See* AMS' UMF at ¶ 1.)

In May 1999, AMS hired Kevin Gagnon, a software architect and systems analyst who operates under the business name of "Mister Computer," as an outside vendor and independent contractor to analyze, design, and provide software solutions for AMS. (*See* Gagnon's Opp'n at 2.) Mr. Gagnon's service to AMS was terminable at-will by both sides. (*See* AMS' UMF at ¶ 3.) Between 1999 and April 2003, AMS' demand for Mr. Gagnon's services grew rapidly because of its growth in business. (*See* Gagnon's Opp'n at 2.) Mr. Gagnon helped to automate AMS' business by designing computer software to assist AMS in accomplishing its business goals, strategies, and/or objectives. (*See id.*) AMS paid Mr. Gagnon over $2,000,000 since 1999, of which $250,000 was specifically used for software development. (*See* AMS' UMF at ¶ 9.)

Mr. Gagnon's involvement with AMS was extensive enough that he hired about twelve employees to help with the services he provided AMS. (*See* AMS' UMF at ¶ 24.)

Mr. Gagnon had each of his employees sign an "Employee's Work Agreement" with the following confidentiality term and engagement term:

> Employee recognizes that all information relating to [AMS] disclosed to Employee by Employer [Mister Computer], and all information generated by Employee in the performance of the above Work is a valuable

> trade secret ofEmployer and Employee shall treat all such information as strictly confidential during and after the performance or Work under this Agreement . . .
>
> Employee agrees that during the term of this Agreement and for a period of twenty-four (24) months thereafter, Employee will not engage in any employment or personal contractual agreement with [AMS] or any third-party agent (including employees) of that Company without written consent from Employer.

(Gagnon's Lodgm't in Opp'n, Ex. E.) Mister Computer's employees were all at-will because none of the Employee's Work Agreements included a clause stating that the employee would have to work for a specified time period. (*See Id.*) During the course of Mister Computer's relationship with AMS, Mr. Gagnon and his work force designed about six software programs to automate AMS' operations (collectively "support programs"): (1) Document Retrieval System Identification and Design ("DRS"), (2) Telephone Monitoring System ("TMS"), (3) Territorial Administration System ("TAS'), (4) Territory Identification and Design ("Territory ID), (5) Telelogix; (6) Production Entry. (*See* Gagnon's Opp'n at 2.) All of the programs displayed a splash screen stating that they were copyrighted by Mister Computer. (*See Id.*; *See also* Decl. of Kevin Gagnon at 4.) The support programs had a custom application for AMS and automated AMS' confidential information concerning its agents, their territories, and the criteria used by AMS to qualify agents and create sale

territories. (*See* Gagnon's Opp'n to UMF at ¶ 5; AMS' UMF at ¶ 7; Decl. of Allen Feld at ¶ 5.) Mr. Gagnon and his staff installed the support programs on AMS' computers; and AMS used the programs to carry out its business operations. (*See* Gagnon's Opp'n at 2.) Mr. Gagnon and his staff stored the source code for all six programs on AMS' computers in the development room at AMS's office. (*See* AMS' Lodgm't in Supp. of Mot. for Summ. J., Ex. 1 at 135: 9 - 136:6.)

Mr. Gagnon proposed a one-year Technical Service Agreement, dated May 1, 2000, to govern the relationship between Mr. Gagnon and AMS. (*See* AMS' Lodgm't in Supp. Mot. for Summ. J., Ex. 5.) The Agreement does not contain language stating that Mr. Gagnon was not granting a license to AMS to use the programs or that AMS would be required to pay a continuing licensing fee. (*See generally id.*)

AMS claims that Mr. Gagnon signed a "Vendor Non-Disclosure Agreement"("Agreement") on June 12, 2002, confirming that all "copyrightable works" shall be the "exclusive property" of AMS, and that Mr. Gagnon has "no right or title thereto." (AMS' UMF at ¶ 7). In response, Mr. Gagnon asserts that the Agreement is a forgery and that the alleged signature of Mr. Gagnon cannot be authenticated. (*See* Gagnon's Opp'n to UMF at ¶13.)

In June 2003, AMS sought to establish a more formal employment relationship, but Mr. Gagnon rejected the offer. (*See* Gagnon's Opp'n at 2.) That same month, Mr. Gagnon proposed an Outside Vendor Agreement, which was not signed by AMS, that states"Contractor [Mr. Gagnon] will allow Company [AMS] non-exclusive unlimited licensing of software

developed for the Company." (AMS' Lodgm't in Supp. of Mot. for Summ. J., Ex.4 at 11.)

In a letter, dated August 5, 2003, Mr. Gagnon told Jay Akerstein, Chief Operation Officer of AMS, that his employees had contractual obligations which prevented his employees from being "employed by a client of Mister Computer for a period of 24 months after cancellation of the [employee work] agreement." (Gagnon's Lodgrn't in Opp'n, Ex. H at 1 .) Mr. Gagnon also stated in the letter that his "position has always been that Asset Marketing Systems shall be entitled to unlimited software licensing as long as [his] company had a business relationship with Asset Marketing Systems." (*See id.*) No evidence has been presented that prior to the August 5, 2003, letter, Mr. Gagnon had conveyed in writing or orally that AMS was entitled to unlimited software licensing only so long as AMS had a business relationship with Mister Computer.

On September 16, 2003, Mr. Gagnon registered copyrights for each of the six programs with the U.S. Copyright Office. (*See* Gagnon Countercl, at ¶ 10; AMS' Lodgm't in Supp. of Mot. for Summ. J., Ex. 15.)

On September 23, 2003, AMS terminated its relationship with Mister Computer. (*See* Gagnon's Opp'n at 4.) At that time, AMS was Mr. Gagnon's only client, accounting for about 98% of his business. (*See* AMS' Lodgm't in Supp. of Mot. for Summ. J., Ex. 1 at144:21-146:8) AMS hired away seven of Mister Computer's employees; and these employees started working with AMS shortly after Mr. Gagnon's termination. (*See* Gagnon's Opp'n at 4.)

In or around September 2003, Mr. Gagnon sent a letter to AMS asking for about $1.5 million to allow

AMS to continue using the support programs and to hire away his employees. (*See* AMS' Lodgm't in Supp. of Mot. for Summ. J., Ex. 1 at 308515.) Mr. Gagnon also offered to not compete with AMS if AMS paid him $500,000 in addition to the $1.5 million. (*See id.* at 308:5-24.) AMS refused both of Mr. Gagnon's offers. (*See* AMS7 Mem. Supp. Mot. for Summ. J. at 1.)

On October 10, 2003, AMS filed a Complaint in the Superior Court of the State of California for the County of San Diego, Case No. GIC 819228, against Mr. Gagnon, Mister Computer, two of his employees, and a new company allegedly created by Mr. Gagnon named National Marketing Technologies, Inc. [Doc. No. 1.] AMS in the Complaint included the following causes of action: (1) misappropriation of trade secrets; (2) unfair business practices; (3) breach of fiduciary duty; (4) negligence; and (5) conversion. (*See* AMS's Compl. at 1.)

On November 13, 2003, Mr. Gagnon subsequently removed the matter to federal court. [Doc. No. 1 .] The next day, Mr. Gagnon filed Counterclaims against AMS for: (1) copyright infringement, (2) unfair competition, (3) misappropriation of trade secrets, (4) intentional interference with contract, (5) intentional interference with prospective business advantage, (6) negligent interference with prospective business advantage, (7) declaratory relief, and (8) accounting. [Doc. No. 6.]

In an order, dated January 14, 2004, the Court remanded all of AMS' claims except for a portion of AMS' conversion claim concerning the software code, which the Court dismissed for lack of subject matter jurisdiction because it was preempted by the Copyright Act. [Doc. No. 14.] Moreover, the Court

denied AMS' motion to dismiss Mr. Gagnon's copyright infringement claim for failure to state a claim. [*Id.*] To avoid having to simultaneously litigate the matter in both federal and state court, AMS filed its remanded state law claims as counter-counterclaims in the federal court action. [Doc. No. 18.]

In February 2, 2004, AMS sought preliminary injunctive relief against Mr. Gagnon et al. seeking to enjoin them from "destroying, copying, disclosing, publishing, and/or disseminating . . . the information contained in . . . confidential databases, files, Agent Lists and proprietary software application versions." (AMS' Proposed Order on Mot. for Prelim. Inj. at 2.) On March 25, 2004, this Court denied AMS' motion for preliminary injunction because AMS did not present sufficient evidence of irreparable injury. [Doc. No. 48.]

Before the Court is AMS' Motion for Summary Judgment as to all of Mr. Gagnon's counterclaims. [Doc. No. 77.] Mr. Gagnon filed an Opposition, and AMS filed a Reply. [Doc. Nos. 89, 98.] Both parties also filed Objections to Evidence as to declarations and other evidence submitted by the opposing party. [Doc. Nos. 124, 137.] After briefing concluded on AMS' Motion for Summary Judgment, Mr. Gagnon also filed an Ex Parte Application for order denying or, in the alternative continuing summary judgment. [Doc. Nos. 100.] Magistrate Judge Cathy A. Bencivengo filed a Report and Recommendation recommending that Mr. Gagnon's Ex parte Application be denied. [Doc. No. 128.]

Legal Standard

Summary judgment is appropriate under Rule 56 of the Federal Rules of Civil Procedure on "all or any part" of a claim where there is an absence of a genuine issue of material fact and the moving party is entitled to judgment as a matter of law. Fed. R. Civ. P. 56(a) & ©; *See also Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986). One of the principal purposes of Rule 56 is to dispose of factually unsupported claims or defenses. *See Celetox*, 477 U.S. at 323-24. A fact is material when, under the governing substantive law, the fact might affect the outcome of the case. *See Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986); *See also Freeman v. Arpaio*, 125 F.3d 732, 735 (9th Cir. 1997). A dispute about a material fact is genuine if "the evidence is such that a reasonable jury could return a verdict for the nonmoving party." *Anderson*, 477 U.S. at 248. When making its determination, the Court must view all inferences drawn from the underlying facts in the light most favorable to the party opposing the motion. *See Matsushita Elec. Indus. Co. Ltd. v. Zenith Radio Corp.*, 475 U.S. 574, 587 (1986).

The party seeking summary judgment bears the initial burden of establishing the absence of a genuine issue of material fact. *See Celotex*, 477 U.S. at 323. The moving party can satisfy this burden in two ways: (1) by presenting evidence to negate an essential element of the nonmoving party's case; or (2) by demonstrating that the nonmoving party failed to make a showing sufficient to establish an element of his or her claim on which that party will bear the burden of proof at trial. *See id.* at 322-23. If the moving party fails to discharge this initial burden,

summary judgment must be denied and the court need not consider the nonmoving party's evidence. *See Adickes v. S. H. Kress & Co.*, 398 U.S. 144, 159-60 (1970).

If the moving party meets the initial burden, the burden shifts to the nonmoving party to "set forth specific facts showing there is a genuine issue for trial." *Anderson*, 477 U.S. at 256. "The mere existence of a scintilla of evidence in support of the nonmoving party's position is not sufficient." *Triton Energy Corp. v. Square D. Co.*, 68 F.3d 1216, 1221 (9th Cir. 1995) (citing *Anderson*, 477 U.S. at 252); *see also Matsushita*, 475 U.S. at 586 (if the moving party meets this initial burden, the nonmoving party cannot defeat summary judgment by merely demonstrating "that there is some metaphysical doubt as to the material facts"). It is insufficient for the party opposing summary judgment to "rest upon the mere allegations or denials of [his or her] pleading." Fed. R. Civ. P. 56(3). Rather, the party opposing summary judgment must "by [his or her] own affidavits, or by the 'depositions, answers to interrogatories, and admissions on file,' designate 'specific facts showing that there is a genuine issue for trial.' " *Celotex*, 477 U.S. at 324 (quoting Fed. R. Civ. P 56(e)). "Disputes over irrelevant or unnecessary facts will not preclude a grant of summary judgment." *See T. W. Elec. Serv., Inc. v. Pacific Elec. Contractors Ass'n*, 809 F.2d 626, 630 (9th Cir. 1987). In addition, the Court is not obligated "to scour the records in search of a genuine issue of triable fact." *Keenan v. Allan*, 91 F.3d 1275, 1279 (9th Cir. 1996) (citing *Richards v. Combined Ins. Co.*, 55 F.3d 247, 251 (7th Cir. 1995)). "[T]he district court may limit its review to the documents submitted

for purposes of summary judgment and those parts of the record specifically referenced therein." *Carmen v. San Francisco United Sch. Dist.*, 237 F.3d 1026, 1030 (9th Cir. 2001). "Where the record taken as a whole could not lead a rational trier of fact to find for the nonmoving party, there is no 'genuine issue for trial.'" *Matsushita*, 475 U.S. at 587 (citing *First Nat'l Bank of Arizona v. Cities Service Co.*, 391 U.S. 253, 289 (1968)). Moreover, "[a] district court must enter summary judgment against a party who fails to make a showing sufficient to establish an essential element of a claim, even if genuine factual disputes exist regarding other elements of the claim." *Cunningham v. City of Wenatchee*, 214 F. Supp. 2d 1103, 1110 (E.D. Wash. 2002) (citing *Celotex*, 477 U.S. at 323-24.)

Discussion

I. Copyright Claim

AMS moves for summary judgment on Mr. Gagnon's claim that AMS' use of the support programs infringes on his copyrights thereto. (*See* AMS's Mem. Supp. Mot. for Summ. J. at 4-5.) "To establish infringement, two elements must be proven: (1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original." *See Feist Publications, Inc. v. Rural Telephone Service Co., Inc.*, 499 U.S. 340, 361 (1991) (citation omitted). In this case, AMS argues that Mr. Gagnon cannot make a showing sufficient to establish ownership of a valid copyright, which is the first element required for a copyright infringement claim, because Mr. Gagnon transferred any copyrights he may have had in the computer programs to AMS by signing a Vendor Nondisclosure Agreement. (*See*

AMS's Mem. Supp. Mot. for Summ. J. at 7.) In the alternative, AMS argues that even if Mr. Gagnon owned the copyrights and did not transfer his rights to AMS, Mr. Gagnon's claim still fails because Mr. Gagnon granted AMS an implied license to continue to possess, use, and modify the source code based upon the undisputed facts of the case. (*See Id.*) For the reasons set forth below, the Court **FINDS** that Mr. Gagnon cannot maintain his copyright claim against AMS because AMS has an implied nonexclusive license to use the support programs to operate its business.

A. Implied License

AMS asserts that it "has an implied license to continue to possess, use and modify the source code to carry out its operations" because it paid Mr. Gagnon to create the programs for its business. (AMS' Mem. Supp. Mot. for Summ. J. at 12.) For the reasons set forth below, the Court **FINDS** that Mr. Gagnon cannot maintain a copyright infringement claim against AMS because AMS has an implied license to possess, use, and modify the software programs for its business.

Possession of a license to use a copyright creates an affirmative defense to a claim of copyright infringement. *See Worldwide Church of God v. Philadelphia Church of God,* 227 F.3d 1110, 1114 (9th Cir. 2000). Rather than transfer ownership of the copyright to the licensee, an implied nonexclusive license simply permits the use of a copyrighted work in a particular manner. *See I.A.E., Inc. v. Shaver*, 74 F.3d 768, 775 (7th Cir. 1996). Anonexclusive license

can be granted without a writing [7] because "'a nonexclusive license may be granted orally, or may even be implied from conduct.'" *Effects Associates, Inc.*, 908 F.2d at 558 (citing M. Nimmer & D. Nimmer, *Nimmer on Copyright* § 10.03[A], at 10-36 (1989)) [8] An implied nonexclusive license has been granted when (1) a person (the licensee) requests the creation of a work, (2) the creator (the licensor) makes that particular work and delivers it to the licensee who requested it, and (3) the licensor intends that the licensee-requestor copy and distribute his work. *See I.A.E.*, 74 F.3d at 776 (citing *Effects Associates*, 908 F.2d at 558-59). Once an implied license is granted, it becomes irrevocable if the license is supported by consideration. *See I.A.E.*, 74 F.3d at 772. In *Effects Associates, Inc. v. Cohen*, 908 F.2d 555, 556 (9th Cir. 1990), the Court of Appeals for the Ninth

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1. The "writing requirement" in 17 U.S.C. §204(a) "applies only to the transfer of exclusive rights; grants of nonexclusive copyright licenses need not be in writing." *Foad Consulting Group, Inc.*, 270 F.3d at 825; *see also Effects Associates, Inc.*, 908 F.2d at 558 ("Section 204 provides that all transfers of copyright ownership must be in writing; section 101 defines transfer of ownership broadly, but expressly removes from the scope of section 204 a 'nonexclusive license.' ")

2. An exclusive license permits a copyright holder to use the protected material for a specific purpose and further promises that the same permission will not be given to others. *I.A.E.*, 74 F.3d at 775. In contrast, a nonexclusive license does not restrict the copyright owner from granting the same permission to others. *See Id.* Here, the Court is restricting its analysis to whether a nonexclusive license has been granted because AMS argues that it has a nonexclusive license, not an exclusive license. (*See* AMS' Mem. Supp. Mot. for Summ. J. at 10, 14.)

Circuit denied a special effects studio's copyright infringement claim after finding that the studio had granted the defendant movie producer a nonexclusive implied license to use the special effects footage at issue. The Ninth Circuit held that the special effects studio had conveyed a license to the producer when the studio handed over the footage to the producer who had commissioned it for $56,000. *See Id.* at 558. The court reasoned that the transaction had to be understood as contemplating a license to use the footage for the purpose for which it was created, as footage in the film; otherwise, the producer's payment of a large sum of money would have been senseless. *See Id.* at 559.

In *Foad Consulting Group, Inc. v. Musil Govan Azzalino*, 270 F.3d 821, 825 (9th Cir. 2001), the Ninth Circuit also held that an engineering firm impliedly granted defendant developer a copyright license to use plot plans because the developer had hired the firm to create the plans for a shopping center development project that was to be submitted in an application to the city. The court found that defendants had a license to use the plot plans because defendants paid plaintiff Foad a fee of $175,000 to create multiple maps, drawings, and plans for the project and to process these documents with the city, and that this was the central purpose of the agreement. *See Id.* at 828. The court reasoned that "[g]iven the amount of money GenCom paid for Foad's services and because part of the agreement was for Foad to help GenCom with its application to the city, it would be surprising if the parties had intended for GenCom to seek Foad's permission before using the plans to build the project." *Id.* at 828-29. The court also expressed

disapproval of the engineering firm demanding payments for use of the plot plan even though the firm had already been paid to create the plan:

> If accepted, Foad's claim that although it was hired to create documents for the project, GenCom had no right to use the documents to build the project, would allow architectural or engineering firms to hold entire projects hostage, forcing the owner either to pay the firm off, continue to employ it, or forego the value of all work completed so far and start from scratch . . . one would expect that a firm that intended to exercise such ongoing control over a project would clearly specify this in a contract .

Id. at 829 n.12. Thus, to limit a contractor's ability to hold a project hostage, the *Foad* court stated that the burden was the contractor/copyright owner to make it clear when he or she intends to retain control over a project at all times. The Seventh Circuit in *I.A.E., Inc. v. Shaver*, 74 F.3d 768, 772 (7th Cir. 1996), held that an architect granted a nonexclusive license to a construction company when the
architect created a design for an airport cargo hanger building and delivered the design to the defendant, a construction company, involved in a joint venture to construct the building. The court reasoned that "[j]ust as the plaintiff in *Effects* 'created a work at defendant's request and handed it over, intending that defendant copy and distribute it,' in exchange for $56,000, Mr. Shaver [in *I.A.E.*] created, for a fee of $10,000, designs for the Airport's air cargo building

and handed them over to Joint Venture and the Airport." *Id.* The court also held that consent for a nonexclusive license can be given in the "form of mere permission or lack of objection . . . and is not required to be in writing." *Id.* at 775.

1. AMS Requested Creation of the Computer Programs

In this case, AMS has provided evidence to establish the first element required for a nonexclusive license - that there is no genuine issue of material fact that AMS requested that Mr. Gagnon create all six of the programs at issue "to automate AMS' ability to recruit sales persons, to facilitate licensing of agents with insurance companies, to assign territories and license AMS' systems and to track production." (AMS' Mem. Supp. Mot. for testimony from Mr. Gagnon demonstrating that, like the plaintiffs in *Effects, Foad, and I.A.E.*, Mr. Gagnon had a relationship of independent contractor with AMS for the purpose of creating programs to automate AMS' information. *See I.A.E.*, 74 F.3d at 776. Mr. Gagnon admits in his deposition that AMS asked him to create the support programs to automate its information:

> Q. What discussion, if any, did you have with Mr. Akerstein regarding whether or not that process could be improved or automated?
> A. I think it was "Kevin, I need a way to track production."
> Q. Okay. So he asked you if you could help him automate that process -
> A. Yes.

(AMS' Lodgm't, Ext. 1 at 79:23-805.) Moreover, Mr. Gagnon also admits that he was particularly responsive to Mr. Akerstein's request that he create and modify software programs for AMS:

> Q. By this time, was there any standard procedure or protocol relating to automating systems, drafting software, new programs? Was there any routine that you had fell in [sic] with Asset Marketing system in any way?
> A. No.
> Q. I mean, wasn't - wouldn't you come up with it and have, like, questions and answers and back-and-forth as to what it should do, what it should not do, how it can be improved, why it doesn't work, or should be better in different ways? You never had those types of discussions with AMS?
> A. Of course.
> Q. Okay. Was that done in any kind of exchange routinely, over time?
> A. There was no routine. Once the prototype was developed, we would take requests for - I mean, some suggestions we would accept; and some, we wouldn't. Depends on who wanted them.
> Q. What do you mean? Like if Jay [Akerstein] was asking for something, it would be different than -
> A. Jay got it.
> Q. I'm sorry?
> A. I'm sorry. If Jay would ask for something, he got it .

(*Id.* at 86:7-87:6.) Moreover, Mr. Akerstein went beyond generally requesting that Mr. Gagnon create software programs for tracking AMS' information; rather, Mr. Gagnon states that it became a practice for Mr. Akerstein to describe to Mr. Gagnon the information AMS wanted automated. Mr. Gagnon explains:

> [W]e [Mr. Akerstein and Mr. Gagnon] got to a point where we were communicating very well, and he would know pretty much what information to give me. He probably drew out the columns and the rows of what data that he wanted to see on each agent, and then that was probably the end of it.

(*Id.* at 80: 14-19.) In response to AMS, Mr. Gagnon has offered no evidence to challenge AMS' showing that it requested creation of the software. Thus, the Court FINDS that there is no genuine dispute that AMS asked Mr. Gagnon to create the programs at issue to automate AMS' tracking of information. (*Id.* at 79:23-25, 80:1-19)

2. Mr. Gagnon Created the Programs and Delivered Them to AMS

In addition, AMS has met the second requirement for an implied license because AMS has presented evidence sufficient to show that Mr. Gagnon created the requested software programs and delivered them to AMS. Mr. Gagnon admits in a deposition that he created the six programs at issue specially for AMS:

> Q. Let's talk about the programs . . . - DRS, TMS, Territory ID, TeleLogiz, and Production Entry - all six of those were specifically developed for Asset Marketing Systems, correct?
> A. Yes.

(AMS' Lodgm't, Ext. 1 at 101:6-11.) Also, as in *Effects, Foad, and I.A.E.*, it is undisputed that Mr. Gagnon created the programs in exchange for payment from AMS. *See I.A.E.*, 74 F.3d at 772. AMS asserts that it "has paid Mr. Gagnon over $2,000,000 since 1999, of which over $250,000 was for software development." (AMS's UMF at 7 9.) Although Mr. Gagnon inexplicably asserts that he "is without sufficient information at this time to respond to [the] alleged fact" that he received over $250,000 from AMS for software development (*see* Gagnon's Opp'n to UMF at ¶ 9), he admits in his deposition that AMSpaid him well for the software:

> Q. Did you feel you needed the permission of Asset Marketing Systems before you could go around and try to sell this software that you developed for AMS to third parties?
> A. No, but I wouldn't do it, out of loyalty.
> Q. Loyalty to whom?
> A. They paid me very well. Why do I need to go anywhere else? They paid me very well. I could have made money going to their FMOs. I didn't. I stayed with Asset.

(AMS's Lodgm't, Ex. 1 at 257:13-22; *See also Id.* at 295:24-25 (Mr. Gagnon states "[AMS] trusted me, and

they paid me well.") In addition to paying Mr. Gagnon for the programs, AMS also covered the cost of computer program training to enable Mr. Gagnon to develop the requested software programs. (*See* AMS's Lodgm't, Ex. 1 at 85:3-19.) Similar to *Effects*, given the fact that AMS paid Mr. Gagnon a significant sum to develop the programs, it would be unreasonable to conclude that Mr. Gagnon did not also convey a license to AMS to use the programs. *See Effects*, 908 F.2d at 559. In addition to creating the programs at AMS' request, Mr. Gagnon also delivered the programs to AMS because he installed the requested programs on AMS' computers and stored the source code at AMS. "[A] computer program exists, technologically, in two possible forms: 'source code,' in which the instructions that constitute the program are prepared in a language comprehensible to both humans and computers, and 'object code' (sometimes called 'binary' or 'executable' code), a computer-generated translation of those same instructions that is intended to be comprehensible primarily to a computer, which a given computer actually uses when it runs that program." Michael J. Madison, *Reconstructing the Software License*, 35 Loy. U. Chi. L.J. 275, 280 (2003). "Conventional distribution of computer software has been based on distribution of copies of this 'objectcode' and retention of the source code by the developer." *Id.* at 280-81. Here, Mr. Gagnon distributed the software by installing the programs on AMS' computers. (*See* AMS' UMF at ¶ 7.) In addition, Mr. Gagnon also delivered the source code to AMS by storing the code on AMS' computers. Allen Feld, who was employed by Mr. Gagnon as a software developer on an exclusive

assignment with AMS, states in a declaration that "[t]he open, unprotected source code for these programs (the 'AMS Support Programs') was installed on several of ***AMS' computers*** which were located at AMS' facilities (the 'AMS Development Computers') . . . [t]he open source code was also stored on AMS' public server." (Decl. of Allen Feld in Supp, of Mot. for Summ. J. at 2.) Mr. Gagnon, in his deposition testimony, also admits that "the source code was stored . . . in a development room or the server room" at AMS. (AMS' Lodgm't, Ex. 1 at 135:13-14.) Despite this admission, Mr. Gagnon attempts to argue that delivery was not effectuated because only those with a security card could get into the development room at AMS. (*See* Gagnon's Opp'n at 19.) However, his argument fails because he concedes that Mr. Ackerstein and two other employees of AMS had access to the rooms and that these AMS employees never made any promises of confidentiality to him. (*See Id.* at 135:18-136:6; *See also* Gagnon's Opp'n at 19 ("[t]he programs were located on computers in the development room at AMS. . . [t]he only persons with access to this room were my employees and a select group of AMS' upper management.") (emphasis added).) Thus, the Court **FINDS** that there is no genuine issue of material fact that Mr. Gagnon both created the programs for AMS and delivered them to AMS.

3. Mr. Gagnon Intended that AMS Be Allowed to Retain and Modify theDelivered Programs

AMS also has demonstrated that Mr. Gagnon intended that AMS be allowed to retain and modify

the programs that he delivered. In *Johnson v. Jones*, 149 F.3d 494, 498-500 (6th Cir. 1998), the court held that the defendant had notice that plaintiff architect was not granting an implied license because plaintiff had twice presented defendant with a contract, which was never signed, that expressly provided that plaintiff retained control *over* his housing designs, and therefore did not intend to grant a license.

In contrast to the plaintiff's intention in *Johnson* to not grant a license, Mr. Gagnon [Mr. Gagnon] while performing services under this agreement will be the property of Contractor and will be licensed to Client on a non-exclusive basis as will any copyrights, patents, or trademarks obtained by Contractor while performing services under this agreement. . . Contractor will allow Company [AMS] non-exclusive, unlimited licensing of software developed for Company. in his proposed agreements conveyed his intention to grant AMS a license as to the support programs he created for AMS. Mr. Gagnon expressly states his intention to grant a license to AMS in an Outside Vendor Agreement, dated June 2003, which he proposed to AMS. (*See* AMS' Lodgm't in Supp. of Mot. for Summ. J., Ex. 4 at 1 I.) Article 7 of Mr. Gagnon's proposed Outside Vendor Agreement, entitled "Proprietary Rights" provides:

> Client [AMS] agrees that all designs, plans, specifications, drawings, inventions processes, and other information or items produced by Contractor [Mr. Gagnon] while performing services under this agreement will be the property of Contractor and *will be licensed to*

> *Client on a non-exclusive* basis as will any copyrights, patents, or trademarks obtained by Contractor while performing services under this agreement . . . Contractor will allow Company [AMS] *non-exclusive, unlimited licensing of software developed for Company.* (AMS' Lodgm't in Supp. of Mot. for Summ. J., Ex. 4 at 11) (emphasis added).

Thus, Mr. Gagnon in his proposed Outside Vendor Agreement makes it clear that he intended to grant a "non-exclusive, unlimited" license to programs produced by him. In fact, in reference to the June 2003, proposed Outside Vendor Agreement, Mr. Gagnon states in a declaration that "Article VII . . . of this proposed agreement sets forth what [his] understanding of the relationship between the parties was at the time." (AMS' Lodgm't in Supp. of Mot. for Summ. J., Ex. 4 at 3.) Mr. Gagnon's intention to grant the license also is evidenced by his allowing the source code for the programs to be kept on AMS' computers. (*See* AMS' Lodgm't, Ex. 1 at 135: 13-14.) It also is worth noting that Mr. Gagnon's proposed Technical Service Agreement, which is dated May 1, 2000, and is on Mister Computer's letterhead, does not mention that Mr. Gagnon is not granting a license to AMS to use the programs or that he requires a continuing licensing fee. (*See generally* AMS' Lodgm't in Supp. of Summ. J., Ex. 5.) Accordingly, AMS has shown that there is no dispute that Mr. Gagnon intended for AMS to have a non-exclusive license to use the programs.

Further, Mr. Gagnon fails in his attempt to show that he gave AMS notice of his intention to not grant an implied license through the initial splash

screens that appear when the programs at issue are booted up. (*See* Gagnon's Opp'n at 17.) While there are variations of the splash screens for different programs, most of the programs Mr. Gagnon' created for AMS have a splash screen that provides, "Copyright 2003 Mister Computer All Rights Reserved." (*See* Gagnon's Lodgm't, Ex. A.) In considering a notice of copyright that appeared on architectural plans that were lengthier' than the splash screens in this case, the Ninth Circuit in *Foad* held that the notice did not invalidate defendants' implied license. 270 F.3d at 829. The *Foad* court reasoned that the warning was created after the agreement was made and presumably was written by plaintiff or its agents. *See Id.* at 829, 837. [9] Similarly, here, Mr. Gagnon unilaterally authored and included the splash screens in the programs after Mr. Gagnon agreed to create and deliver programs to AMS. Moreover, Mr. Gagnon does not assert that he received consent or that he even warned AMS that he was going to include a splash screen in the programs. Also, as in *Foad*, the splash screens are not sufficient to negate Mr. Gagnon's agreement to accept payment from AMS in exchange for creating programs to

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3.The notice in *Foad*, which is in a legend on the plot plan, reads:

> All ideas, designs, arrangements and plans indicated or represented by this drawing are owned by, and the property of Foad Consulting Group, Inc. and were created, evolved and developed for use on, and in connection with the specified project. None of such ideas, designs, arrangements or plans shall be used without written
> permission of Foad Consulting Group, Inc.

Foad, 270 F.3d at 829.

automate AMS' information. *See Id.* at 829. Mr. Gagnon's argument that AMS should have objected to the splash screen is undercut by the court's note in *Foad* that the burden is on the copyright owner to clearly specify when he or she intends to retain control over a project. *See Id.* at 829 n. 12 ("one would expect that a firm that intended to exercise such ongoing control over a project would clearly specify this in a contract"). Thus, this Court declines to find that the splash screens defeat AMS' implied license to use the programs for which AMS paid Mr. Gagnon to create.

Moreover, Mr. Gagnon's attempt to distinguish *Foad* by arguing that there were written contracts between the parties in that case is unavailing. (*See* Gagnon's Opp'n at 18.) While it is true that in *Foad*, the engineering firm created the plot plans pursuant to contracts between the parties, the court in that case also found that nothing in either the contracts or any other writings purported to transfer copyrights in the plans at issue. 270 F.3d at 824-25. Thus, the *Foad* court's holding that there was a granting of a license was not based on any term in the written contracts. More importantly, the court in *Foad* held what the granting of a nonexclusive license need not be in writing:

> [N]onexclusive licenses may be granted orally. Thus, if a copyright holder and another have a contract that clearly does not grant the other an exclusive copyright license, in a copyright infringement suit the other may nonetheless introduce nonwritten evidence-such as testimony, course of conduct, and custom and

practice to show that the copyright holder orally granted her a nonexclusive license.

Id. at 828; *See also I.A.E.*, 74 F.3d at 775.

Thus, the Court **FINDS** that there is no genuine dispute that Mr. Gagnon intended that AMS be allowed to retain and modify the programs that he created for AMS.

4. The Nonexclusive Licenses Are Irrevocable

In addition, as AMS correctly argues, Mr. Gagnon cannot revoke the license he granted because it was supported by consideration. (*See* AMS' Mem. Supp. Mot. for Summ. J. at 14.) "A nonexclusive license may be irrevocable if supported by consideration" because with consideration, the license becomes like an implied contract. *Lulirama Ltd. v. Axcess Broadcast Servs.*, 128 F.3d 872, 882 (5th Cir. 1997) (citation omitted); *See also I.A.E.*, 74 F.3d at 776 ("Implied licenses are like implied contracts . . . ."); *Effects*, 908 F.2d at 559 n.7 (noting that an implied license is "a creature of law much like any other implied-in-fact contract"); *Avtec Sys., Inc. v. Peiffer*, 21 F.3d 568, 574 n. 12 (4th Cir. 1994). Here, as stated earlier, it is undisputed that AMS provided consideration because it paid Mr. Gagnon significant sums to create and maintain thesupport programs.

For the reasons set forth above, the Court **FINDS** AMS had an implied non-exclusive license to use the programs for its business, and **GRANTS** AMS' Motion forSummary Judgment as to Mr. Gagnon's copyright claim.

B. Transfer of Ownership

In the alternative, AMS also contends that Mr. Gagnon transferred ownership of the copyright work to AMS by signing a Vendor Nondisclosure Agreement ("the Agreement")on June 12, 2002. [10] (*See* AMS' Mem. Supp. Mot. for Summ. J. at 7-8; *See also* AMS' Lodgm't, Ex. 7.) In response, Mr. Gagnon contests the authenticity of the agreement and asserts that the signature contained therein was not signed by him. (*See* Gagnon's Opp'n at 8.) Because the Court grants AMS' Motion for Summary Judgment with respect to Mr. Gagnon's copyright infringement claim based on AMS' implied nonexclusive license to use the support programs, the Court need not decide AMS' alternative argument that there was a valid transfer of ownership of the copyright.

C. Cross-Objections to Evidence as to Implied License and Transfer of Ownership

AMS has filed Objections to Evidence with respect to the Declaration of David Kesner, Declaration of Kevin Gagnon, and Declaration of

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4. Mr. Gagnon argues at length that he authored the programs at issue and that his programs cannot be considered works prepared by an employee in the scope of employment because he was an independent contractor for AMS. (*See* Gagnon's Opp'n at 5-8.) AMS does not dispute that Mr. Gagnon authored all six programs at issue, and that he registered copyrights with the U.S. Copyright Office for all the programs. (*See* Gagnon's Counterclaims at 5; Gagnon's Decl. in Opp'n to Prelim. Inj. ¶ 9.) Registration of the programs constitutes prima facie evidence of Mr. Gagnon's ownership. *See* 17 U.S.C. § 410(c) (1976). AMS also has not argued that Mr. Gagnon prepared the programs as an employee for the company. Thus, for the purposes of this Motion, the Court **FINDS** that Mr. Gagnon was the original author and owner of the six programs at issue.

Sandra Homewood. [Doc. No. 124.] AMS' objections to the Declaration of Sandra Homewood, Mr. Gagnon's handwriting expert, challenge the form of her declaration and her analysis of the signatures in the Vendor Nondisclosure Agreement. (*See* AMS' Obj. to Evid. at 1-5, 7-8.) AMS' arguments with respect to Mr. Gagnon's Declaration pertain to Mr. Gagnon's assertion that he had exclusive control of the source code for the programs, his omission of the Vendor Nondisclosure Agreement when discussing his agreements with AMS, and his statement that he regularly tasked his employees with non-AMS work. (*See Id.* at 5-7.) Further, AMS objects to the Declaration of David Kesner, arguing that Mr. Kesner lacked personal knowledge to speak about the location of the source code because his responsibilities as controller for AMS were only to handle the company's financial matters, not its computer programs. (*See Id.* at 1-5.)

On October 28, 2005, Mr. Gagnon submitted an Ex Parte Application and Proposed Order to File Written Objection Evidence with respect to the Declaration of Wayne Talleur and the Vendor Nondisclosure Agreement. [Doc. No. 137.] Mr. Gagnon, in his Ex Parte Application, directs all of his objections at challenging the authenticity of the Vendor Nondisclosure Agreement to counter AMS' assertion that the copyrights for the programs were transferred to AMS. (*See generally* Gagnon's Ex Parte Appl. to File Written Obj, to Evid.)

Because the Court has found that AMS has an implied license to use the programs irrespective of whether the Vendor Nondisclosure Agreement transferred ownership of the copyrights, the Court

DENIES Mr. Ganon's Ex Parte Application and Proposed Order to file Written Objection to Evidence. Likewise, the Court also **DENIES in part** AMS' Objection to Evidence as to the Declaration of Sandra Homewood and the Declaration of Kevin Gagnon in so far as they concern the Vendor Nondisclosure Agreement. However, the Court **GRANTS in part** AMS' Objections to Evidence as to the Declarations of David Kesner and Mr. Gagnon in so far as they pertain to the nonexclusive license and the work Mr. Gagnon tasked to his employees. Mr. Kesner lacks personal knowledge to attest to the location of the source code because his duties as a "controller" for AMS did not include installing or modifying the software programs; rather, Mr. Kesner states he "handl[ed] all accounts receivable, bank deposits, accounts payable, agent commissions, and payroll financial splits." (Decl. of David Kesner at 1.) *See* Fed. R. Civ. P. 56 (e) ("Supporting and opposing affidavits shall be made on personal knowledge"). In addition, the Court rejects Mr. Gagnon's statements in his declaration that he had exclusive control of the source code and that his employees were regularly tasked with work for clients other than AMS because these statements are unsupported and are controverted by his deposition testimony. (*See* AMS' Lodgm't, Ex. 1 at 77: 15-17, 135:18-136:6.)

II. Trade Secrets Claims

A. Misappropriation of Trade Secrets Contained in Support Programs

AMS also moves for summary judgment on Mr. Gagnon's claim that AMS misappropriated trade secrets contained within the support programs. (*See*

AMS' Mem. Supp. Mot. for Summ. J. at 15; *See also* Gagnon's Counterclaims at 9-10.) "[C]omputer software can qualify for trade secret protection under the UTSA." *MAI Sys. Corp. v. Peak Computer*, 991 F.2d 511, 522 (9th Cir. 1993); *See also S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081, 1089-90 (9th Cir. 1989). Here, AMS contends that "AMS owns those programs and any alleged trade secrets therein pursuant to the Vendor Nondisclosure Agreement" or in the alternative, "AMS has an implied license to continue to possess, use, and modify the source code for these programs to carry on AMS' business operations[.]" (*Id.*) Because the Court above found that AMS has an implied license to use the programs, Mr. Gagnon cannot establish that AMS misappropriated a protected trade secret contained in the programs. Thus, the Court also **GRANTS** summary judgment to AMS on Mr. Gagnon's claim that AMS misappropriated trade secrets contained in the support programs.

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B. Misappropriation of Trades Secrets by Hiring Mr. Gagnon's Employees

AMS also seeks summary judgment on Mr. Gagnon's claim that AMS misappropriated trade secrets contained in his programs by hiring his former employees. (*See* AMS' Mem. Supp. Mot. for Summ. J, at 15; *See also* Gagnon's Counterclaims at 9-10.) Because AMS has an implied nonexclusive license to use the programs, AMS' hiring of Mr. Gagnon's former employees cannot result in misappropriation of trade secrets contained in his programs. Accordingly, the Court also **GRANTS** AMS' Motion for Summary Judgment with respect to Mr. Gagnon's claim that AMS misappropriated trade secrets in the programs by hiring his employees.

III. Request for Accounting

Mr. Gagnon also has asserted a claim for "accounting for the income, expenses, assets, and liabilities of AMS derived as the result of its use or license of Mr. Gagnon's copyright for software." (Gagnon's Counterclaim at 16.) "The right to an accounting is derivative and depends on the validity of a plaintiffs underlying claims." *Duggal v. G.E. Capital Communications Services, Inc.*, 81 Cal. App. 4th 81, 95 (Cal. Ct. App. 2000). Because the Court is holding that AMS has an implied license to use the software at issue accounting.

IV. Intentional Interference with Contract Relations

AMS moves for summary judgment on Mr. Gagnon's claim of intentional interference with contract relations. (*See* AMS' Mot, for Summ. J, at 2.) "The elements which a plaintiff must plead to state

the cause of action for intentional interference with contractual relations are (1) a valid contract between plaintiff and a third party; (2) defendant's knowledge of this contract; (3) defendant's intentional acts designed to
induce a breach or disruption of the contractual relationship; (4) actual breach or disruption of the contractual relationship; and (5) resulting damage." *Pacific Gas & Electric Co. v.*
Bear Stearns & Co., 50 Cal. 3d 11 18, 1126 (Cal. 1990).

AMS has shown that Mr. Gagnon has not met the first element for intentional interference with contract because the noncompete clauses that Mr. Gagnon alleges AMS interfered with are not valid contracts. (*See* AMS' Mem. Supp. Mot. for Summ. J. at 20 n.4.) California Business and Professions Code "Section16600 has specifically been held and therefore has not violated a copyright or misappropriated a trade secret, the Court GRANTS AMS' Motion for Summary Judgment as to Mr. Gagnon's request for to invalidate employment contracts which prohibit an employee from working for a competitor when the employment has terminated, unless necessary to protect the employer's trade secrets." *Application Group, Inc. v. Hunter Group, Inc.*, 61 Cal. App. 4th 881, 900
(Cal. Ct. App. 1998); *See also* Cal Bus & Prof Code § 16600 ("Except as provided in this chapter, every contract by which anyone is restrained from engaging in a lawful profession, trade, or business of any kind is to that extent void."); *Metro Traffic Control v. Shadow Traffic Network*, 27 Cal. Rptr. 2d 573, 577 (Cal. Ct. App. 1994) (same).

Here, Mr. Gagnon claims that AMS interfered with "Employee's Work Agreements" that he entered into with each of his employees in January 2003. (Gagnon's Counterclaim at 11.) In relevant part, Mr. Gagnon alleges that AMS interfered with the following "engagement" term in the Employee's Work Agreement:

> Employee agrees that during the term of this Agreement and for a period of twenty-four (24) months thereafter, Employee will not engage in any employment or personal contractual agreement with the above mentioned Company [AMS] or any third-party agent (including employees) of that Company without written consent from Employer.

(Gagnon's Lodgm't in Opp'n, Ex. E.) Thus, the engagement term is invalid because it seeks to prohibit Mr. Gagnon's employees from working for AMS for at least two years after their employment with Mister Computer. Moreover, the engagement term is not saved by the exception for protecting an employer's trade secret. (*See* AMS' Mem. Supp. Mot. for Summ. J. at 20 n.4.) The exception does not apply here because, as this Court has concluded, the support programs do not contain trade secrets protected from AMS in light of its implied nonexclusive license to use the programs. Thus, the Court **GRANTS** AMS summary judgment as to Mr. Gagnon's claim for intentional interference with contract relations because AMS has shown that the Employee's Work Agreements were not valid.

V. Intentional and Negligent Interference with Prospective Business Advantage

Mr. Gagnon also has asserted a claim for intentional and negligent interference with prospective business advantage based on AMS' hiring of his employees. (*See* Gagnon's Counterclaims at 13-16.) AMS argues that Mr. Gagnon's claim does not have merit because Mr. Gagnon cannot plead or prove that AMS engaged in any independently wrongful act to support such a claim. (*See* AMS' Mem. Supp. Mot. for Summ. J. at 22.)

In *Reeves v. Hanlon*, 33 Cal. 4th 1140, 1152 (Cal. 2004), the California Supreme Court held that interference with at-will employees is treated as interference with prospective business advantage because *employees are free to leave at anytime.* Moreover, the court also held that "to recover for a defendant's interference with an at-will employment relation, a plaintiff must plead and prove that the defendant engaged in an *independently wrongful act*--*i.e.*, an act 'proscribed by some constitutional, statutory, regulatory, common law, or other determinable legal standard'--that induced the at-will employee to leave the plaintiff." *Id.* at 1145 (citation omitted) (emphasis added). The court reasoned that an independent wrongful act is required because "[n]ot only will it guard against unlawful methods of competition in the job market, but it will promote the public policies supporting the right of at-will employees to pursue opportunities for economic betterment and the right of employers to compete for talented workers." "Under this standard, a defendant is not subject to liability for intentional interference if the interference consists merely of

extending a job offer that induces an employee to terminate his or her at will employment." *Id.* at 1153. In contrast, a defendant is subject to liability if he/she "misappropriated confidential information, improperly solicited plaintiffs' clients, and cultivated employee discontent." *Id.* at 1155; *See also Buxbom v. Smith*, 23 Cal. 2d 535, 548 (Cal. 1944) (holding defendant interfered with plaintiffs relationship with employee when defendant breached a contract he had with plaintiff as a means of facilitating defendant's hiring of plaintiffs employees).

In this case, Mr. Gagnon cannot maintain an interference with prospective business advantage claim because he has not alleged or shown that AMS engaged in an independently wrongful act in hiring his former employees. Mr. Gagnon merely alleged that AMS offered his employees jobs and told them that they were free to quit Mr. Gagnon's employ; he has not alleged that AMS engaged in acts to cultivate employee discontent. (*See* Gagnon's Counterclaims at 13-14.) Also, as the Court found above, AMS did not interfere with a valid contract between Mr. Gagnon and his former employees because the noncompete agreement is not enforceable. AMS also did not breach a contractual agreement with Mr. Gagnon when it terminated its independent contractor relationship with Mr. Gagnon and hired his employees because it is undisputed that "AMS was free to terminate Mr. Gagnon at any time-the work relationship was at-will." (Gagnon's Opp'n to UMF at ¶ 3.) *See Buxbom*, 23 Cal. 2d at 548. Moreover, in hiring Mr. Gagnon's former employees, AMS did not infringe on a copyright, misappropriate trade secrets in the programs, or misappropriate other confidential

information because AMS has an irrevocable, nonexclusive license to use the software programs. Thus, because Mr. Gagnon has not alleged or shown that AMS engaged in an independently wrongful act, the Court **GRANTS** AMS summary judgment as to Mr. Gagnon's interference with prospective business advantage claim.

VI. Unfair Competition

AMS also moves for summaryjudgment on Mr. Gagnon's unfair competition claim. (*See* AMS' Mem. Supp. Mot. for Summ. J. at 18.) Mr. Gagnon alleges unfair competition claim based on three grounds: (I) AMS infringed on his copyrights in the programs, (2) AMS misappropriated his trade secrets, and (3) AMS solicited and hired his employees in violation of the Employee's Work Agreements that he had with his employees. (*See* Gagnon's Counterclaims at 11-12.)

The Unfair Competition Act in California, which is codified in Business & Professions Code Section 9 17200, prohibits unfair competition. Unfair competition "include[s] any *unlawful, unfair, or fraudulent business act or practice* and unfair, deceptive, untrue or misleading advertising." Cal. Bus. & Prof. Code § 17200. A practice cannot be deemed "unfair" for purposes of Section 17200 if the Legislature has permitted the conduct or "considered a situation and concluded that no action should lie." *Cel-Tech Communications v. Los Angeles Cellular Tel. Co.*, 20 Cal. 4th 163, 182 (1998).

None of Mr. Gagnon's grounds for unfair business practice constitute unlawful, unfair, or fraudulent business acts. Mr. Gagnon cannot sustain an unfair competition claim based on alleged

copyright violation or trademark misappropriation because, as stated above, AMS had an implied license to use the programs. Mr. Gagnon also cannot base his claim on AMS' hiring of his former employees because AMS did not interfere with a valid agreement between Mr. Gagnon and his employees. Moreover, it was not an unlawful, unfair, or fraudulent practice for AMS to solicit and hire Mr. Gagnon's at-will employees. *See Reeves v. Hanlon*, 33 Cal. 4th 1140, 1145 (2004).

Accordingly, the Court **GRANTS** AMS summary judgment with respect to Mr. Gagnon's unfair competition claim.

VII. Declaratory Relief

AMS also moves for summary judgement on Mr. Gagnon's claim for declaratory relief as to which party owns the copyrights to the support programs. (*See* AMS' Mem. Supp. Mot, for Summ. J, at 23.) Above, the Court has already found that Mr. Gagnon cannot maintain a copyright infringement claim against AMS in light of AMS' nonexclusive license to use the programs. Thus, it is unnecessary for the Court to decide the question of ownership of the copyrights at this time. Accordingly, the Court **GRANTS** AMS summary judgment as to Mr. Gagnon's declaratory relief.

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/ / / / /

VIII. Mr. Gagnon's Ex Parte Application to Stay Motion for Summary Judgment

After AMS' Motion for Summary Judgment was fully briefed by both parties, Mr. Gagnon's counsel filed an "Ex Parte Application for Order Denying Or, in the Alternative Continuing Summary Judgment Pursuant to Fed. Rules of Civ. Proc. Rule 56(Q" (hereinafter "Ex Parte Application"). [Doc. No. 100.] AMS filed an Opposition to the Ex Parte Application; and Mr. Gagnon filed a Reply. [Doc. Nos. 104, 112.] Magistrate Judge Cathy A. Bencivengo, who was transferred the case from Magistrate Judge Jan M. Adler, held a telephonic hearing to detennine the status of the discovery disputes. Thereafter, Judge Bencivengo issued a Report and Recommendation ("R&R") recommending that Mr. Gagnon's Ex Parte Application be denied, and that this Court proceed with determination of AMS' Motion for Summary Judgment. [Doc. No. 128, 115.] Mr. Gagnon then filed an Objection to the R&R; and AMS filed a Response. [Doc. Nos. 129, 130.] For the reasons set forth below, the Court **ADOPTS** the R&R, and **DENIES** Mr. Gagnon's Ex Parte Application.

As the Magistrate Judge concludes in the R&R, Mr. Gagnon's contention that AMS' Motion for Summary Judgment should be stayed because "[he] has raised discovery issues with Magistrate Judge Adler and they are still pending" is immaterial to deciding AMS' Motion. (Gagnon's Ex Parte Appl. at 1; R&R at 4.) Mr. Gagnon seeks discovery for two reasons: (1) to obtain e-mail communications between AMS and Mr. Gagnon's former employees in order to show that AMS interfered with Mr. Gagnon's employment contract with his employees; (2) to obtain

production of AMS' computer back up tapes to "conclusively establish the location of Mr. Gagnon's programming source code at all relevant times". (*See* Decl. of Todd Moore in Supp. of Gagnon's Ex Parte Appl, at 3-4; *see also* Gagnon's Ex Parte Reply at 4.) First, irrespective of AMS' solicitation of Mr. Gagnon's employees, Mr. Gagnon fails in claiming that AMS interfered with his contracts with the employees because the contracts have unenforceable noncompete clauses and also do not protect a trade secret. Thus, contrary to Mr. Gagnon's assertion, AMS was free to offer employment to Mr. Gagnon's employees while they were still working for Mr. Gagnon because Mr. Gagnon's employees were at-will. Second, production of AMS' computer back up tapes to determine the location of the source code is unnecessary because Mr. Gagnon has already admitted that the source code was on AMS' computer. (*See* Joint Statement Regarding Discovery at 9: 11-20) (Mr. Gagnon's counsel states that he "demanded the production of all back up tapes from AMS' server" because the "back up tapes requested, contain all source code and programs currently used by AMS as well as those previously used.")

Even if Mr. Gagnon's claims have merit, which they do not, Mr. Gagnon's request to continue discovery also should be denied because it is untimely. (*See* R&R at 4.) As the Magistrate Judge notes, Mr. Gagnon did not request continuance of discovery until after the Motion for Summary Judgement was fully briefed even though he had an opportunity to do so in his Opposition. (*See Id.*) Thus, the Court **ADOPTS** the R&R, and **DENIES** Mr. Gagnon's Ex Parte Application because Mr. Gagnon has not provided

good cause as to why the Court should stay its decision on AMS' Motion for Summary Judgment.

IX. Pretrial Conference

Currently scheduled on this Court's calendar for August 28, 2006, is the Pretrial Conference. [*See* Doc. No. 133.] In light of this Court's Order granting AMS summary judgement as to all of Mr. Gagnon's counterclaims, the Pretrial Conference on AMS' claims against Mr. Gagnon is hereby **continued to October 30, 2006.** In accordance with the modified Pretrial Conference date:

1. Counsel for each party shall fully comply with the pretrial disclosure requirements of Federal Rule of Civil Procedure 26(a)(3) by **October 6, 2006.**

2. The meet and confer between counsel regarding trial will be on **October 16, 2006.**

3. Counsel shall submit the pretrial conference order by October 23, 2006.

Conclusion

For the reasons set forth above, the Court **GRANTS** AMS' Motion for Summary Judgment as to all of Mr. Gagnon's counterclaims, and **MODIFIES** the dates for pretrial procedures. [Doc. Nos. 77, 133.] The Court also **ADOPTS** the R&R denying Mr. Gagnon's Ex Parte Application for order denying or, in the alternative, continuing summary judgment. [Doc. No. 128.] The Court **DENIES** Mr. Gagnon's Ex Parte Application and Proposed Order to File Written Objection to Evidence, [Doc. Nos. 128, 100]; and

DENIES in part and **GRANTS in part** AMS's Objection to Evidence. [Doc. No. 124.]

IT IS SO ORDERED.

Dated: 8-24-2006 /S/John A. Houston for
NAPOLEON A. JONES, JR.
United States District Judge

cc: Magistrate Judge Cathy Ann Bencivengo
All Counsel of Record

APPENDIX C

FILED
OCT 16 2008
MOLLY C. DWYER, CLERK
U.S. COURT OF APPEALS

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

ASSET MARKETING SYSTEMS, INC.

Plaintiff-counter-defendant-Appellee,

v.

MISTER COMPUTER; et al.,
Defendants'

and

KEVIN GAGNON, d/b/a MISTER COMPUTER,
Defendant-counter-claimant-Appellant.

No. 07-55217 D.C. No.CV-03-02234-B
Southern District of California, San Diego

ORDER

FILED
OCT 16 2008
CLERK U.S. DIST. COURT
SOUTHERN DIST. OF CALIF.
BY /S/ AKR DEPUTY

Before: SILVERMAN, RAWLINSON, AND M. SMITH, Circuit Judges.

Judges Silverman, Rawlinson, and M. Smith have voted to deny the petition for rehearing en banc.

The full court has been advised of the petition for rehearing en banc and no judge of the court has requested a vote on it. Fed R. App. P. 35.

The Petition for rehearing is DENIED.

APPENDIX D

§ 301. Preemption with respect to other laws

(a) On and after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 [*17 USCS § 106*] in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103 [*17 USCS §§ 102* and *103*], whether created before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.

(b) Nothing in this title annuls or limits any rights or remedies under the common law or statutes of any State with respect to–

(1) subject matter that does not come within the subject matter of copyright as specified by sections 102 and 103 [*17 USCS §§ 102* and *103*], including works of authorship not fixed in any tangible medium of expression; or

(2) any cause of action arising from undertakings commenced before January 1, 1978;

(3) activities violating legal or equitable rights that are not equivalent to any of the exclusive rights

within the general scope of copyright as specified by section 106 [*17 USCS § 106*]; or

(4) State and local landmarks, historic preservation, zoning, or building codes, relating to architectural works protected under section 102(a)(8) [*17 USCS § 102(a)(8)*].

(c) With respect to sound recordings fixed before February 15, 1972, any rights or remedies under the common law or statutes of any State shall not be annulled or limited by this title until February 15, 2067. The preemptive provisions of subsection (a) shall apply to any such rights and remedies pertaining to any cause of action arising from undertakings commenced on and after February 15, 2067. Notwithstanding the provisions of section 303 [*17 USCS § 303*], no sound recording fixed before February 15, 1972, shall be subject to copyright under this title before, on, or after February 15, 2067.

APPENDIX E

Cal Civ Code § 3426.1 (2008)

§ 3426.1. Definitions

As used in this title, unless the context requires otherwise:

(a) "Improper means" includes theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means. Reverse engineering or independent derivation alone shall not be considered improper means.

(b) "Misappropriation" means:

(1) Acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or

(2) Disclosure or use of a trade secret of another without express or implied consent by a person who:

(A) Used improper means to acquire knowledge of the trade secret; or

(B) At the time of disclosure or use, knew or had reason to know that his or her knowledge of the trade secret was:

(i) Derived from or through a person who had utilized improper means to acquire it;

(ii) Acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use; or

(iii) Derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use; or

(C) Before a material change of his or her position, knew or had reason to know that it was a trade secret and that knowledge of it had been acquired by accident or mistake.

(c) "Person" means a natural person, corporation, business trust, estate, trust, partnership, limited liability company, association, joint venture, government, governmental subdivision or agency, or any other legal or commercial entity.

(d) "Trade secret" means information, including a formula, pattern, compilation, program, device, method, technique, or process, that:

(1) Derives independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use; and

(2) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

APPENDIX F

§ 16600. Unauthorized contracts

Except as provided in this chapter, every contract by which anyone is restrained from engaging in a lawful profession, trade, or business of any kind is to that extent void.